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DE RUEHMU #0197 0242022
ZNR UUUUU ZZH
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FM AMEMBASSY MANAGUA
TO RUEHC/SECSTATE WASHDC 8753
INFO RUEHSJ/AMEMBASSY SAN JOSE 4881
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS MANAGUA 000197

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DEPT FOR WHA/CEN, EB/TPP
DEPT PASS TO USTR
USDA/FAS/OCRA/WHA/CMARSTON
USDA/FAS/ONA/MED/LCOONROD

E.O. 12958: N/A
TAGS: [ETRD](#) [EAGR](#) [FAS](#) [WTO](#) [NU](#)
SUBJECT: NICARAGUA LETTER TO USTR SCHWAB AND SECRETARY OF
AGRICULTURE ON U.S. PEANUT SUBSIDIES

¶1. (U) On January 18, 2007 the Embassy received an original letter in English dated December 12 and addressed to U.S. Trade Representative Susan Schwab and to Secretary of Agriculture Mike Johannes from the Minister of Development, Industry, and Trade Alejandro Arguello and Minister of Agriculture Mario Salvo. Post contacted both ministries to confirm that the letter, penned before the Ortega Administration took office on January 10 2007, reflected the current government's position. New ministers have since been appointed. Director for External Commerce at the Ministry of Development, Industry, and Trade Sonia Somarriba confirmed to us that it did, and further informed us that on January 22 Nicaragua formally joined Canada's WTO request for consultations on U.S. subsidies and domestic support for corn and other agricultural products.

¶2. (SBU) The original letter, the text of which follows, will be forwarded to WHA/CEN via Diplomatic Pouch registered under 5531166.

Begin text.

The Honorable
Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

The Honorable
Mike Johannes
Secretary of Agriculture
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Ambassador Schwab and Secretary Johannes:

As you know, one of Nicaragua's principal objectives in the Doha Development Round has been to achieve substantial reductions in agricultural export subsidies and domestic supports. Given the Round's uncertain outlook at this juncture, and the upcoming efforts in the United States to reauthorize U.S. Farm Bill subsidy programs, we are writing to express Nicaragua's growing concern over U.S. peanut subsidy payments, which are threatening the future viability of Nicaragua's peanut industry.

Peanuts are Nicaragua's leading agricultural export after coffee, and a vital source of employment for many thousands

of Nicaraguan producers and allied workers in the rural areas of the country. The health of the sector is of utmost importance to our country's continued economic development.

We are concerned; therefore, that U.S. peanut marketing assistance loan payments, direct payments, and counter-cyclical payments are severely eroding the Nicaraguan industry's export sales and profitability. Those subsidies are distorting the U.S. and global marketplace, and drastically disrupting the historical competitive relationship between the U.S. and Nicaraguan peanut industries.

Nicaragua is eager to begin a dialogue with the U.S. government on reasonable reforms that would help safeguard the trading and economic interests of all concerned. With so much at stake in this sector, we look forward to receiving your initial views on this matter and to working constructively on program reforms that would help sustain a sound global peanut market.

Please accept the assurances of our highest regard.

(Signed) Alejandro Arguello Ch.
Minister of Development, Industry and Trade

(Signed) Mario Salvo H.
Minister of Agriculture

End text.
TRIVELLI